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(chapters III-IX) the relations of the states with each other in matters of taxation are discussed, giving the following group of subjects: State taxation of imports and exports, interference with interstate commerce, state taxation of foreign corporations, of steamboats and vessels, of interstate carriers, the valuation of interstate property, and the taxation of national banks.

The relation of the states to their citizens as limited and controlled by a federal law forms the subject of the next group of chapters. They deal with: The fourteenth amendment and its guarantee of due process of law, both as to the mode of procedure and as to the public purpose of taxation; the process required in special assessments; the jurisdiction of the states; equality both as to the selection of the subjects of taxation and as to the valuation of property. The concluding chapters are on the taxing power of Congress and on the procedure and the enforcement of federal limitations upon the taxing power. The book contains in an appendix the Constitution of the United States and such portions of the state Constitutions as bear on the subject of taxation.

If one should venture to suggest which of these chapters is most important to the student of finance, the choice would probably fall on those dealing with the state taxation of foreign corporations and with special assessments; the one because it has to do with one of the most interesting current developments, and the other because it is a subject peculiarly American. Hardly less valuable, however, are passages in almost every chapter of the book. If the reform of our tax law is to realize the hopes of the advanced students of the subject, it must be guided at every step by a knowledge of what is legally possible. Such a guide is here given. The references in the book are carefully made, the research on which it is founded appears to have been painstaking, and the style is unusually simple and lucid even to the layman in search of legal lore. Mr. Judson has in this book confirmed and strengthened his reputation as a thinker and writer in this important middle ground between the law and economics.

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The Principles of Money. By J. LAURENCE LAUGHLIN. Pp. xvi, 550. Price, \$3.00. New York: Chas. Scribner's Sons, 1903.

In this volume Professor Laughlin covers exhaustively the entire field of his subject. He begins his discussion with the functions of money, coinage and the standard question. Here he traverses familiar ground and arrives at well-known conclusions already sufficiently elaborated in his former work. His real contribution begins with Chapter IV, in which he deals with Credit. He defines credit as "the coinage of property into means of payment," meaning by this the purchase by banks of claims to receive sums of money at a future time secured by bills of lading or collateral. Since credit is based upon property sold, and follows instead of preceding the transactions of buying and selling, it cannot affect the relation between commodities and gold, and therefore has no influence upon prices. The author qualifies this conclusion by the

admission that when "abnormal credit has been extended, that is to say, credit based upon unsalable goods or an unprofitable business, the funds for repayment may not be forthcoming at the time appointed, and a forced sale of property may temporarily depress prices." In the same way, an exaggerated estimate of value at the time of granting credit may operate to raise prices. Normal credit, however, the exchange of goods against other goods of equal value, has no effect upon prices. This analysis of credit is further elaborated in Chapter V, which treats of the deposit currency. Professor Laughlin considers this as the mechanism by which goods are exchanged against each other without the use of cash. Arising out of transactions, the volume of the deposit currency is co-extensive with the amount of transactions, rising and falling with the volume of exchanges. The only limit, in his opinion, to the increase of the deposit currency, is the amount of legitimate business to be done. If men come forward with salable property, they can always obtain banking accommodation.

He now presents a novel theory of bank reserves. These are generally believed to constitute the basis of the deposit currency, to offer to the community the guarantee of redemption which it demands as a condition of accepting without question the checks which depositors offer. The proportion of these cash reserves to the deposit liabilities are, therefore, generally supposed to fix a limit beyond which the deposit currency cannot be extended. To this theory Professor Laughlin takes important exceptions. He offers, first, that the deposit currency could not be based on cash, because at any given time it could not be converted into cash; and, second, that the amount of the cash reserves cannot limit, except within a very limited period, the amount of the deposit currency, since the banks could readily increase their cash holdings by exchanging for money some portion of their other assets. So long as salable property is offered as the basis of credit, the banks will not refuse to extend the necessary accommodation to the borrower.

Why then, if this view is correct, need a bank keep any cash reserve? Professor Laughlin answers: to test the salability of the property offered as a basis of discounts. In the ordinary course of business, one claim will cancel another, but occasions sometimes arise where property must be actually sold in order to pay a debt. To meet such occasional demands for cash the banks maintain their money reserves. If there was any way of guaranteeing the legitimacy of all business transactions, so that no doubt could arise concerning the perfect normality of every item of credit extended, the banks, in our author's view, could materially reduce their cash holdings. The most perfect illustration of the principle that the basis of credit is not money but property is found in the issue of clearing house certificates, which have been repeatedly accepted in satisfaction of all obligations by members of the association which issues them, and which are avowedly based upon securities deposited with the clearing house committee.

Chapters VI and VII, on Tables of Prices and The History of the Quantity Theory, are in themselves valuable contributions to the literature of money. In the first, after a prefatory discussion of the methods of compiling these tables, in which he seems to favor that of an average weighted

according to the importance of the several articles in the national consumption, the author presents the results of a most laborious compilation in a series of charts and tables which summarize twenty-three important investigations of prices covering the period beginning with the new gold discoveries. These tables include English, German, Dutch, Italian, French, American and Indian prices, and in fact epitomize the price investigations of the past fifty years. The purpose of this compilation is to offer a basis, first for the consideration of the hitherto accepted theory that prices are directly conditioned by the supply of money, and, second, for the author's own theory of price movements.

Eighty-six pages are next devoted to an elaborate history of the development of the so-called quantity theory of money. Without pausing to consider the discussion in detail, which summarizes the views of all the leading writers on money upon this subject from the mercantilists down, we may observe that the author finds throughout a general adherence to the proposition that the level of prices corresponds to the relation between the demand for money, by which is generally understood the quantity of goods offered in exchange, and the supply of money, which has been variously defined, as the supply of coined money, of coined money plus bank notes, and of the total amount of currency plus the amount of credit, which most text writers have agreed is based upon the cash reserves. In the later development of the theory Professor Laughlin discovers a strong inclination to the use of methods of hypothetical formulation; but in spite of a growing reluctance to approve the theory in its naked simplicity, few theorists have ventured to repudiate it, and it undoubtedly lies at the basis of current monetary thinking. Following his exposition of the quantity theory, the author now subjects it to destructive criticism. His method of attack has already been indicated. He believes that normal credit has no effect upon prices, and since the bulk of transactions are effected by the use of credit, the volume of business is not compared, to more than a small extent, with the amount of cash. This takes place in the retail market, but, as he contends, before this comparison is made, prices have been fixed in the wholesale markets without the use of money. How then, he asks, can the transfers of cash materially influence the general level of prices? Moreover, he argues that the advocates of the quantity theory have fixed their attention upon the money side of the price ratio and have ignored the influences operating upon commodities. Finally the quantity theory will not bear the test of facts. By reference to several investigations of this subject, Professor Laughlin shows that, as a matter of fact, the fluctuations of prices have not corresponded with the movement of currency whether considered in its gross or per capita amount, and that an equal lack of correspondence is visible in comparing the movement of prices with that of the deposit currency.

We now approach the most important portion of this study, in which the author presents what he considers to be the true theory of prices, which may be summarized in the following series of proportions:

1. Price is the value relation between commodities and the standard—gold.
2. A movement of prices is the result of changes in this relation.

3. Such changes are due to forces affecting either the supply or demand for gold, or the supply of or the demand for commodities.

4. These forces—quoting exactly—are as follows: (A) On the side of gold: (a) lowered cost of production or increased supply of gold, (b) decrease in the existing supply of gold or greater expense of mining, (c) increased demand for gold, (d) diminished demand for gold. (B) On the side of steel (taken as an example: (e) Lowered expense of production (or possible increase of supply under competition, (f) increased expenses of production or monopoly, (g) increased demand for steel (from owners of other goods), (h) diminished demand for steel (from owners of other goods).

5. Owing to the amount of gold in existence, causes affecting its supply must be extremely gradual in their operation. When the supply is naturally increased, the effect upon value is exerted not in the circulation, since “the injection of new gold into the channels of trade as a medium of exchange would be resisted by the business habits of the community,” but in the arts where it would be compared with wheat and steel. The method by which this change in value is effected is through the agency of the mint, which converts the gold plate diminished in value as compared with wheat, into gold dollars also diminished in value. The cause of the decline in the value of gold is not the offering of more gold in the form of goods, but is the consequence of the valuation process which has already taken place before the monetary form is assumed.

6. A decrease in the cost of production of gold also affects its value. “Provisions and similar farm products, whose expenses of production have undergone little change, buy a very much greater weight of gold than formerly, because the exertion and outlay for obtaining the new gold there is less relatively to that of the provisions.” Costs are compared at the mines and adjacent farms.

7. The demand for gold arises: (1) From the arts, (2) bank reserves, to test the amount of credit which can be extended, and (3) as a medium of exchange, where it is of little present consequence.

8. Supposing now that gold is a constant, the gold value of steel is affected by the following influences: (a) Any change in the cost of producing steel, or in the degree of monopoly power which its producers possess. (b) Any change in the demand for steel.

10. Since the demand for and the supply of gold are only slowly affected, the price of steel from one year to another, always allowing for the influence of abnormal credit, is chiefly affected by causes affecting the cost of production or the demand for steel.

11. Explanations of current price movements are to be sought among the causes which influence the supply of and the demand for commodities. Considerations affecting the money side are of much less importance.

The remainder of the book is occupied with discussions of Gresham's Law, Legal Tender and kindred topics, essential to the complete exposition of the subject, but not of sufficient controversial importance to warrant analysis in this place.

In summing up Professor Laughlin's work as a whole, it is difficult to

offer specific criticisms without attacking the basis of his contention, that the mechanism of exchange does not rest on money but that its basis is property. When this is accepted, the remaining propositions follow with the certainty of mathematics. Those of his readers who cannot approve his major premise, while unable to withhold their admiration from the energetic ability with which the author has penetrated every part of his subject, and the consummate arts of his style and arrangement which are worthy of the best traditions of the classical school, will not go along with him to the conclusions of his argument.

The argument of the *Principles of Money* aims to minimizing the importance of coined money in the modern system of exchange and to enlarge the previous estimate of the importance of the forces affecting the commodity side of the price ratio. Professor Laughlin's critics may find in the discussion which leads to this result, an extreme reaction from the exaggeration of the importance of the medium of exchange which prevailed a few years since. No one can deny, however, that while this point of view may be open to question in several places, particularly, we may remark in passing, in the treatment of the relations between cost of production and prices, the entire volume is a marvel of careful, patient scholarship, which will be read with appreciation and with great profit by all students of monetary history and theory, and which will rank with the historic contributions to the literature of money.

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A History of the Middle Ages. By DANA CARLETON MUNRO. Pp. xii, 242. Price, \$0.90. New York: D. Appleton & Company, 1902.

It is hard to introduce much originality into a text-book. The limitations of space, of the capacity of the students for whom it is intended, of the necessarily commonplace material which it must include, are so great as apparently to confine the author to a very well-beaten track. Nevertheless Professor Munro has written a text-book of veritable originality. It is original in the first place in its balance between description of institutions and narrative of events. One of the great mediæval institutions after another—the church, feudalism, the monastic orders, the universities—emerges into prominence and is made clear by a wise selection of leading characteristics and a simple direct description. Interwoven with these is a thread of narrative—the downfall of the Carolingian empire, the attacks of the Northmen, the strife over investitures, the Norman Conquest, the Crusades—that leaves out of the story no event of leading significance, short as the account must often be. Secondly, it is original in that it shows such good scholarship. Short as the book is and concrete as is the method of presentation, every chapter and subject dealt with reflects familiarity with the most detailed, scholarly and recent work in that particular subject. The illustrations bear the same mark of rigorous authenticity and originality. It is only recently that specialists in various fields have been drawn into the ranks of text-book writers, and it